

City of Shellsburg
Independent Accountant's Examination Report
For the Period
July 1, 2012 through June 30, 2013

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City of Shellsburg

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Danny Roehr	Mayor	Jan 2014
Tim Peters	Mayor Pro Tem	Jan 2016
Sharon Heneghan	Council Member	Jan 2014
Mike Glynn	Council Member	Jan 2014
Dan Pence	Council Member	Jan 2014
Dave Galli	Council Member	Jan 2016
Nancy Deklotz	City Clerk	Indefinite
Don Hoskins & Anne Loomis	City Attorneys	Indefinite

James R. Ridihalgh, C.P.A.
Gene L. Fuelling, C.P.A.
Donald A. Snitker, C.P.A.
Jeremy P. Lockard, C.P.A.

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Independent Accountant's Examination Report

To the Honorable Mayor
and Members of City Council:

We have performed an examination of the City of Shellsburg pursuant to Chapter 11.6 of the Code of Iowa. Accordingly, we have applied certain tests and procedures to selected accounting records and related information of the City of Shellsburg for the period July 1, 2012 through June 30, 2013. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants.

The procedures we performed are summarized as follows:

1. We reviewed selected City Council meeting minutes for compliance with Chapters 21, 372.13(6), and 380 of the Code of Iowa.
2. We reviewed the City's internal controls to determine if proper control procedures are in place and incompatible duties, from a control standpoint, are not performed by the same employee.
3. We reviewed surety bond coverage for compliance with Chapter 64 of the Code of Iowa.
4. We obtained and reviewed the City Clerk's financial reports and selected bank reconciliations to determine whether the bank balances properly reconciled to the general ledger account balances and monthly financial reports provided to the City Council.
5. We reviewed City funds for consistency with the City Finance Committee's (CFC) recommended uniform chart of accounts and to determine required funds and fund balances are properly maintained and accurately accounted for.
6. We reviewed the City's fiscal year Annual Financial Report (AFR) to determine whether it was completed and accurately reflects the City's financial information.
7. We reviewed investments to determine compliance with Chapter 12B of the Code of Iowa.
8. We reviewed compliance with Chapters 12C.2, 12B.10B and 556.1(12) of the Code of Iowa pertaining to required depository resolutions, investment policy and reporting of unclaimed property to the State of Iowa.
9. We reviewed debt, including general obligation and revenue bonds/notes, and related transactions for proper authorization and compliance with Chapters 75, 384 and 403.9 of the Code of Iowa and to determine whether the debt and related proceeds and repayments were properly accounted for.
10. We reviewed and tested selected tax increment financing (TIF) transactions, including receipts, disbursements and transfers, for compliance and accurate accounting, including compliance with the TIF reporting requirements of Chapter 384.22 of the Code of Iowa.

11. We reviewed the City's TIF debt certification forms filed with the County Auditor, including requests for collection of reduced TIF amounts and to decertify certain TIF obligations, as applicable, for proper support and compliance with Chapter 403.19(6) of the Code of Iowa.
12. We reviewed and tested selected receipts for accurate accounting and consistency with the CFC recommended chart of accounts.
13. We reviewed and tested selected disbursements for proper approval, adequate supporting documentation, accurate accounting and consistency with the CFC recommended chart of accounts and compliance with the public purpose criteria established by Article III, Section 31 of the Constitution of the State of Iowa.
14. We reviewed transfers between funds for propriety, proper authorization and accurate accounting.
15. We reviewed and tested selected payroll and related transactions for propriety, proper authorization and accurate accounting.
16. We reviewed the annual certified budget for proper authorization, certification and timely amendment.

Based on the performance of the procedures described above, we identified various recommendations for the City. Our recommendations are described in the Detailed Recommendations section of this report. Unless reported in the Detailed Recommendations, items of non-compliance were not noted during the performance of the specific procedures listed above.

We were not engaged to and did not conduct an audit of the operations of the City of Shellsburg, the objective of which is the expression of opinions on financial statements. Accordingly, we do not express opinions on the City's financial statements. Had we performed additional procedures, or had we performed an audit of the City of Shellsburg, additional matters might have come to our attention that would have been reported to you.

The report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Shellsburg and other parties to whom the City of Shellsburg may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Shellsburg during the course of our examination. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Ridihalgh, Fuelling, Snitker, Weber & Co., P.C.

Ridihalgh, Fuelling, Snitker, Weber & Co., P.C.

February 13, 2014

Detailed Recommendations

City of Shellsburg

Detailed Recommendations

For the period July 1, 2012 through June 30, 2013

(A13) Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Generally, one individual has control over each of the following areas for the City:

- (1) Cash – handling, reconciling and recording.
- (2) Receipts – opening mail, collecting, depositing, journalizing, reconciling and posting.
- (3) Disbursements – purchasing, invoice processing, check writing, mailing, reconciling and recording.
- (4) Payroll – recordkeeping, preparation and distribution.
- (5) Utilities – billing, collecting, depositing and posting.
- (6) Financial reporting – preparation and reconciling.
- (7) Journal entries – preparing and journalizing.

Recommendation – We realize segregation of duties is difficult with a limited number of employees. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials. Independent reviews of reconciliations should be evidenced by the signature or initials of the reviewer and the date of the review.

(B13) Bank Reconciliation – We noted certain reconciling items that would aggregated into one total without any supporting detail. It was also noted that the outstanding check lists attached to the bank reconciliations did not include payee or the date of the check.

Recommendation – We recommend the City itemize all checks individually on the outstanding check list and include the payee and the date written to provide better information in support of the monthly bank reconciliation. Reconciling items should also be itemized with sufficient detail.

(C13) Outstanding Checks – We determined the City does not report unclaimed property to the State Treasurer annually. Outstanding checks are voided after approximately one year.

Recommendation – We recommend the City report unclaimed property per Chapter 556.1(12) to the State Treasurer on an annual basis per Chapter 556.11 of the Code of Iowa.

City of Shellsburg

Detailed Recommendations

For the period July 1, 2012 through June 30, 2013

- (D13) Investment Reports – Investment Reports reviewed did not match corresponding bank reconciliations or Treasurer’s Reports.

Recommendation – The City should prepare the Investment Report on a monthly basis. Reporting of the various accounts as “cash” or “investment” should be done consistently between the Investment Report, the bank reconciliation, and the Treasurer’s Report.

- (E13) Debt Agreements – A Revenue Bond Agreement was not able to be located, thus we could not review for compliance.

Recommendation – We recommend the City obtain and retain a copy on file of all debt obligations currently outstanding.

- (F13) Tax Increment Financing – During our examination of Tax Increment Financing (TIF) records we noted the City is paying TIF Obligation interest and service fees with TIF receipts, but has only certified the principal portion of the TIF Obligations with the County. Additionally, the Annual Urban Renewal Report was not timely filed.

Recommendation – While the City was not penalized for filing the Annual Urban Renewal Report late, we recommend the City timely file the Annual Urban Renewal Report as per Chapter 384.22 of the Code of Iowa. The City should also certify TIF Obligation interest and service fees with the County if paid with TIF receipts.

- (G13) Local Option Sales Tax – The Council approved a transfer out of the Local Option Sales Tax (LOST) Fund, but we noted only a portion of the approved amount was transferred.

Recommendation – We recommend the City fully transfer the amounts approved by the Council. We also recommend the City fully transfer all LOST receipts from the LOST fund each year as per the City’s LOST resolution.

- (H13) Certified Budget – Disbursements during the year ended June 30, 2013 exceeded the amounts budgeted in the debt service function. Chapter 384.20 of the Code of Iowa states, in part, “Public monies may not be expended or encumbered except under an annual or continuing appropriation.”

Recommendation – The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget. To assist the City in this process, we also recommend the following:

- the monthly budget reports should display all expenditures by function,
- the budget column of the report should reflect any amended budget figures,
- and year-to-date expenditures should reflect all expenditures incurred, not just those originally budgeted for or expected.